Innovative strategies to manage the financial impact of pharmacy claims

Michael Taggart, FSA, MAAA

Elaine Britt, MBA, SPHR, SHRM-SCP

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Your presenters

Michael Taggart
FSA, MAAA
Senior Consultant

25+ years of experience in outsourced benefits administration & financial management of benefit programs

Elaine Britt
MBA, SPHR, SHRM-SCP
Consultant

20+ years of experience in both employer-based & consulting strategy and day-to-day benefits operations

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Agenda

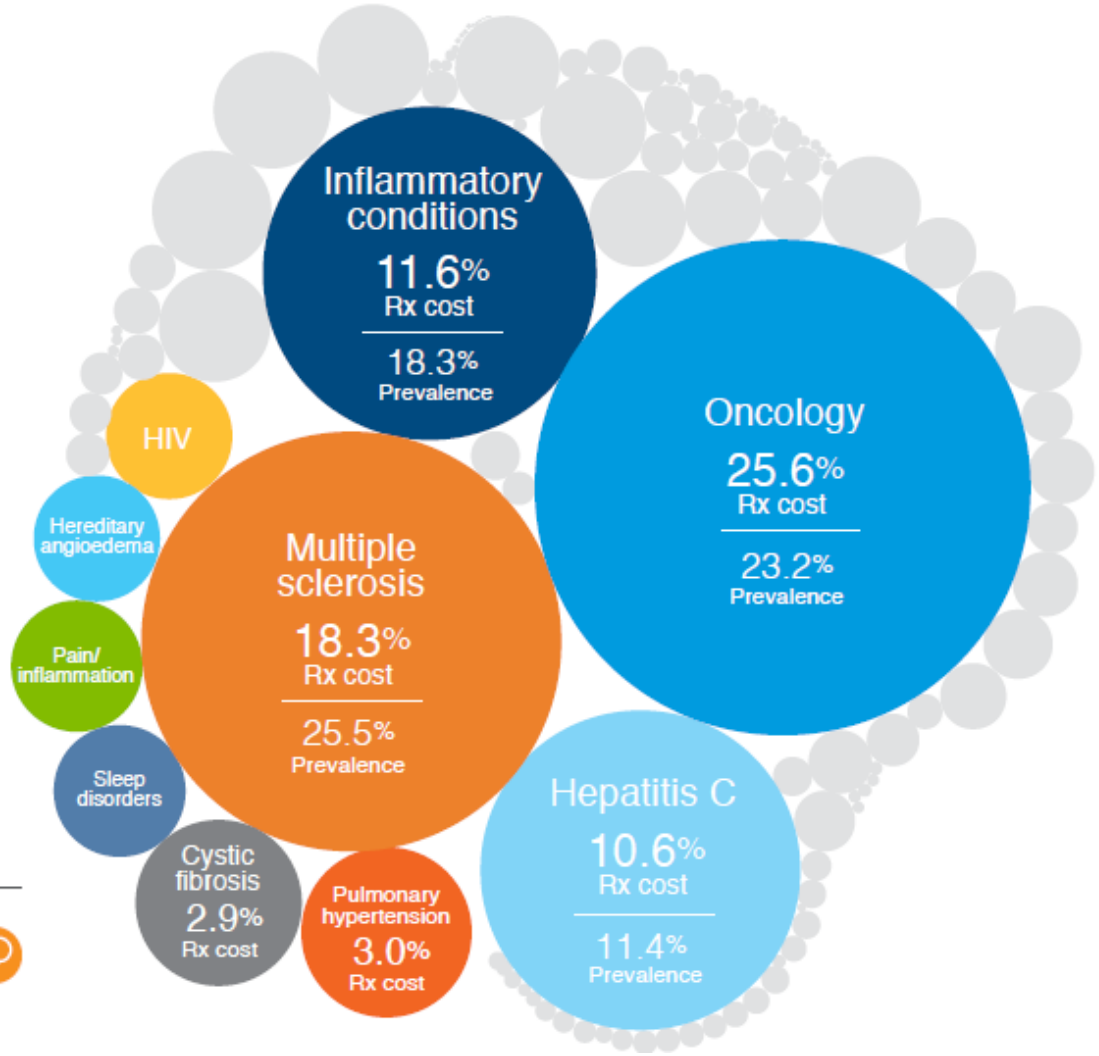
- The dilemma
- The solution
- Lessons learned
- Considerations

The dilemma

The risks

Emerging specialty drug therapies are creating a new dimension of risk for employers

- Almost 3 out of 1,000 people met or exceeded $50k in prescription drug costs – a 35% increase from 2014 – and accounted for more than 20% of total prescription drug costs.
- Plans covered nearly 97.6% of the costs for people with prescription drug costs of $50k or more in 2016, paying an average of $89,308 per person.



Top therapy classes by prescription drug costs

FOR PEOPLE WITH $50,000 OR MORE IN RX COSTS, 2016

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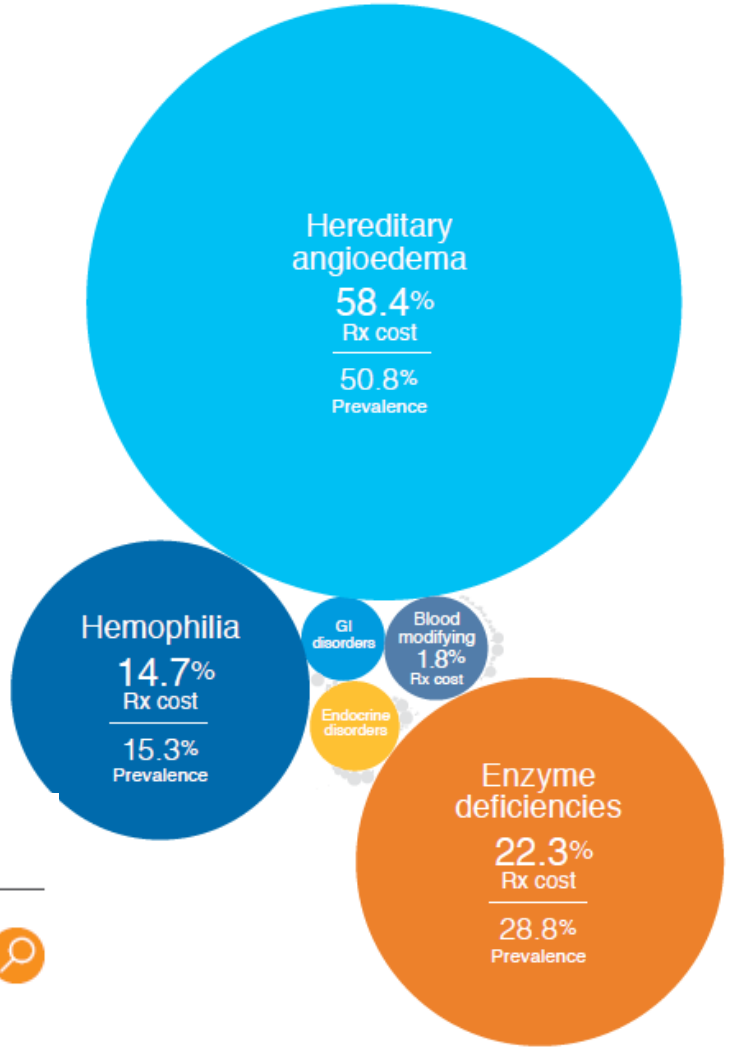
Source: Express Scripts Super Spending Report, October 2017; http://lab.express-scripts.com/lab/insights/drug-options/super-spending-caring-for-people-whose-needs-are-greatest

The risks

Emerging specialty drug therapies are creating a new dimension of risk for employers

- The prevalence of patients requiring $1M in prescription drug costs doubled between 2014 and 2016.
  - In **2014**, only one person for every million members covered under the pharmacy benefit had prescription drug costs of $1M or more.
  - In **2016**, there were two people with at least $1M in prescription drug costs per one million members.



Top therapy classes by prescription drug costs

FOR PEOPLE WITH $1 MILLION+ IN RX COSTS, 2016

Source: Express Scripts Super Spending Report, October 2017; http://lab.express-scripts.com/lab/insights/drug-options/super-spending-caring-for-people-whose-needs-are-greatest

More high cost specialty drugs are here or on the way

Managing the financial risk of new medical therapies

Luxturna is the first-of-its-kind gene therapy approved for the U.S. market and the most expensive medicine by list price.

BIOTECH

STAT+

At $850,000, price for new childhood blindness gene therapy four times too high, analysis says

By ANDREW JOSEPH @DrewQJoseph / JANUARY 12, 2018

More high cost specialty drugs are here or on the way

Managing the financial risk of new medical therapies

DRUG / TREATMENT	FDA APPROVAL	DRUG PRICE (estimated)	ANNUAL COST TO EMPLOYER PLAN (1)
Spinraza (Spinal Muscular Atrophy SMA)	4Q 2016	$125,000 / Dose	$810,000 - $1,500,000
Cinryze (Hereditary Angioedema HAE)	4Q 2008	$ 3,000 / Dose	$350,000 - $2,000,000+
Kymriah (Leukemia)	3Q 2007	$475,000 / Treatment	$510,000 - $950,000
Yescarta (Non-Hodgkins Lymphoma)	4Q 2017	$ 373,000 / Treatment	$400,000 - $800,000

Continuing expansion of high cost specialty drug therapies is creating a new dimension of financial risk for employer medical plans

(1) Annual employer cost reflects both estimated annual treatment (dosage utilization) and the markup of drug cost (which differs based on place of administration - physician administered or hospital outpatient setting). Source: Archimedes Rx; Funding the Miracles, Best Practices for Managing Spinraza and Other Orphan Drugs March 2017

Background

Large, global employer in the service industry

- 15,000 (+/-) benefits eligible employees in the United States
- Medical plan covers over 8,500 employees and about 11,600 total members
- Moved to a private exchange effective January 1, 2018
- While developing strategy and budgets for 2018, discovered some large claims activity from the pharmacy carrier
- Employer uncovered the activity through the unusual bank draft activity
  - PBM and pharmacy coalition slow to respond or develop strategy to contain costs
    - Initial claims approved in March 2017
    - Prescriptions dispensed in early April 2017
    - First detailed reports from PBM and coalition on claimant and prognosis sent in early July 2017

The details

- Single claimant with Hereditary Angioedema (HAE) diagnosis
- Claims initiated by a new employee who had just become eligible for and enrolled in the plan
- Specialty pharmacy claims initially denied by the medical plan - later approved by PBM
- Initial claims exceeded $650k with estimated annualized spend exceeding $7M (only includes the pharmacy)
  - Total 2017 spend estimated at $5.8M
  - Treatment level exceeded FDA guidelines and expected costs for the condition
- Employer has a captive stop loss carrier with initial individual stop loss (ISL) set at $100k and insured ISL at $1M

Hereditary Angioedema (HAE)

- Very rare and potentially life-threatening genetic condition that occurs in about 1 in 10,000 to 1 in 50,000 people
- Symptoms include episodes of edema (swelling) in various body parts including hands, feet, face and airway
- Potentially fatal if uncontrolled

The solution

The solution

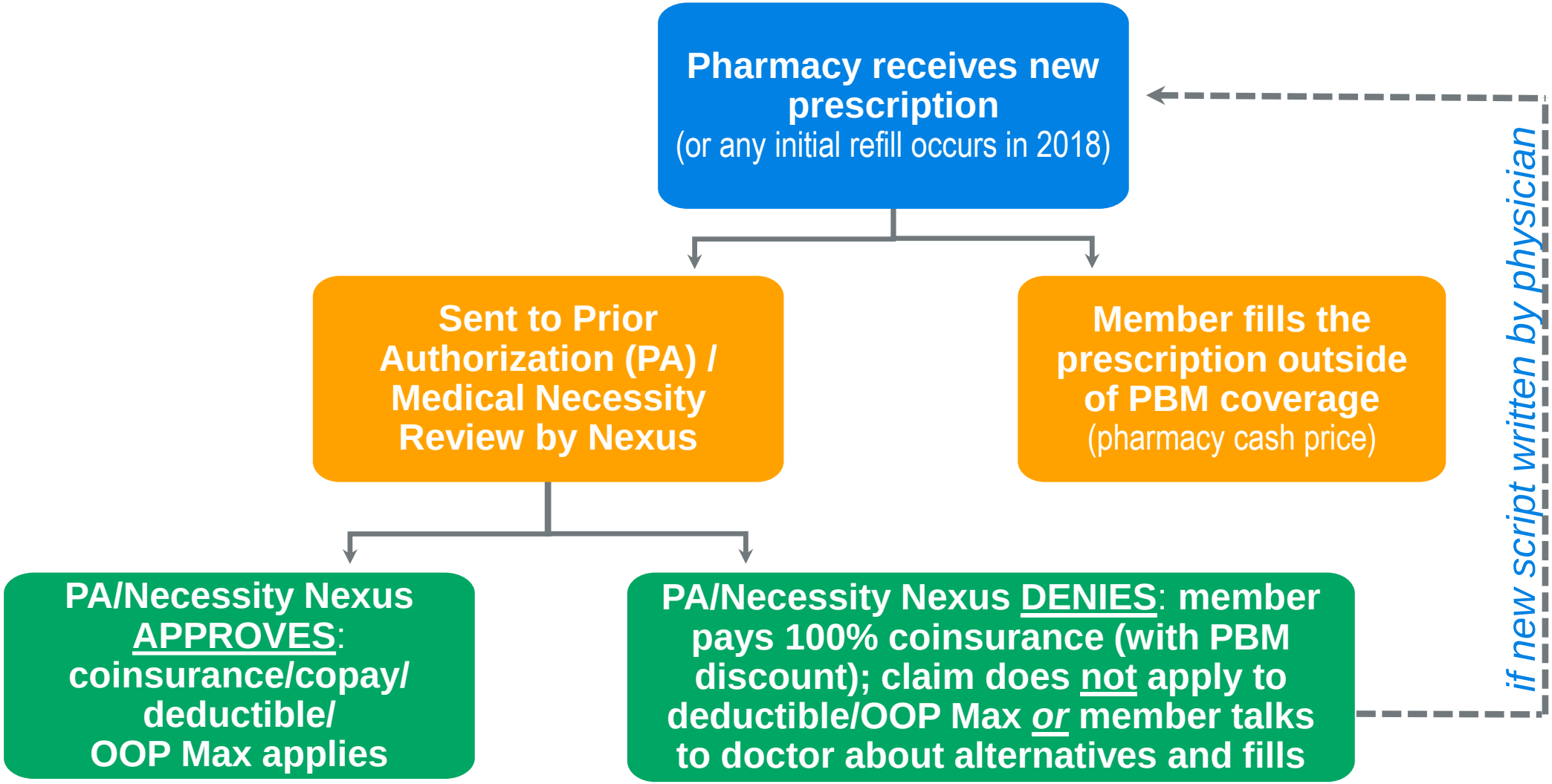
Large, global employer in the service industry

- The stop loss carrier was engaged and claims data (including medical notes) shared
  - 2018 projections included a 20% increase in stop loss premiums and the member lasered out of the $1M+ coverage
  - This single member's partial-year claims resulted in overall plan premiums increasing by 14% for 2018
  - Employer decided to increase the captive's ISL to $50k to help control monthly claims fluctuations
- Second opinions were sought from leading HAE experts from across the U.S.
- Peer to peer physician consultations conducted and alternative therapies considered
- Actual 2017 spend was less than $4.6M
- External clinical review organization, Nexus, brought in for 2018 to authorize pharmacy claims:
  - Any claim $20K+ (in a single fill)
  - With a diagnosis of HAE, Pulmonary Hypertension, Hemophilia or HIV
  - Nexus confers with doctors, formulary to recommend lower cost alternatives and ensures appropriate claims

The solution

- Why an external clinical review organization (CRO)?
  - The PBM is not set up to take on extensive clinical screening
  - Medical carriers are usually not integrated well with PBM activity
  - These services are not part of the scope of the coalition
  - Your local pharmacy is too overwhelmed to be a member resource
  - So, who else is making sure that your claims are appropriate and your spend is controlled?
- The National Association of Clinical Review Organizations (https://www.nairo.org/) is a good resource for locating CROs
- Nexus is tackling the situation by:
  - Completing a complete clinical review of the impacted members
    - A thorough Drug Regimen Review (DRR) provides the members with an overview of all of their medications and any potential interactions
  - Completing physician-coordinated prior authorizations for any impacted fills
  - Reviewing members' situations every 90 days

The process flow



Lessons learned

Lessons learned

Build consensus within your organization for any changes

- Educate key leaders as to why this change is important
- Give them the “elevator speech” language

Communicate any changes frequently and try to target those affected

- Direct mailing is often ignored and email isn’t always read or available
- Consider calling members, especially any key members of the impacted community
- Consider impacts to LGBTQ or other key groups

Mitigate any member fears

- Change leads to a lot of negative assumptions
- Get ahead of these and address with Q&As
- Try to address questions directly, even if the messaging is not perfect

Considerations

Considerations

- Due to the large pharmacy claims potential for new (and increased cost for existing) medications, employers should consider their claims exposure
- Other questions for consideration include:
  - Could your medical plan absorb the costs of such a claimant?
  - How do you currently monitor your large claimants?
  - What steps can you take now to help control such expenses?
    - Who is helping you control these costs and plan for when such a situation arises?
    - If you're part of a pharmacy coalition, what do they do to monitor and control your spend?
- While this case was for pharmacy spending, we are also seeing very large medical claims activity
  - While the Affordable Care Act had good intentions in removing any claims maximums (annual and lifetime), this resulted in pharmaceutical companies and providers removing all price caps
- Stop loss coverage may make sense to help mitigate the initial impact of these types of claims, if not already in place

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Thank you

Michael Taggart, FSA, MAA
michael.taggart@milliman.com, (713) 658-3032

Elaine Britt, MBA, SPHR, SHRM-SCP
elaine.britt@milliman.com, (713) 658-3031